

AKP  
9/13/2004

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COMMISSION

WASHINGTON, D.C. 20549

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9/3

OMB APPROVAL

OMB Number: 3235-0123  
Expires: October 31, 2004  
Estimated average burden  
hours per response..... 12.00

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER

8-28114

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 07/01/03 AND ENDING 06/30/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: HARDING/HALL, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

8676 BOW STREET

(No. and Street)

ELK GROVE

CALIFORNIA

95624

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

PATRICIA HALL

(916) 423-3033

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

LOCKWOOD & BORN, AN ACCOUNTANCY CORPORATION

(Name - if individual, state last, first, middle name)

2380 PROFESSIONAL DRIVE

ROSEVILLE

CALIFORNIA

95661-7745

(Address)

(City)

(State)

(Zip Code)

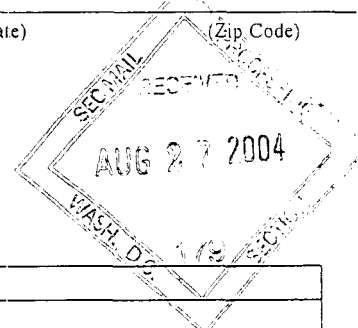
CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED  
SEP 20 2004  
THOMSON  
FINANCIAL



**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

DR 9-16

OATH OR AFFIRMATION

I, PATRICIA HALL, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HARDING/HALL, INC., as of JUNE 30, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Patricia Hall  
Signature

PRESIDENT  
Title

Diane Sakakihara  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of ~~Changes in Financial Condition~~ CASH FLOWS.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report. WAIVED
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) AUDITORS REPORT ON INTERNAL CONTROL STRUCTURE.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2005
Estimated average burden hours per response.....	12.00

Form  
X-17A-5

**FOCUS REPORT**  
(Financial and Operational Combined Uniform Single Report)  
**PART IIA** 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):	
1) Rule 17a-5(a) <input checked="" type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">16</span>	2) Rule 17a-5(b) <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">17</span>
4) Special request by designated examining authority <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">19</span>	3) Rule 17a-11 <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">18</span>
5) Other <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">26</span>	
NAME OF BROKER-DEALER	
HARDING/HALL, INC. <span style="float: right; border: 1px solid black; padding: 0 5px;">13</span>	
ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)	
8676 BOW STREET <span style="float: right; border: 1px solid black; padding: 0 5px;">20</span>	
(No. and Street)	
ELK GROVE <span style="border: 1px solid black; padding: 0 5px;">21</span>	CALIFORNIA <span style="border: 1px solid black; padding: 0 5px;">22</span>
95624 <span style="float: right; border: 1px solid black; padding: 0 5px;">23</span>	
(City) (State) (Zip Code)	
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT	
PATRICIA HARDING-HALL, PRESIDENT <span style="float: right; border: 1px solid black; padding: 0 5px;">30</span>	
NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:	
<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <span style="float: right; border: 1px solid black; padding: 0 5px;">32</span>	
<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <span style="float: right; border: 1px solid black; padding: 0 5px;">34</span>	
<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <span style="float: right; border: 1px solid black; padding: 0 5px;">36</span>	
<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <span style="float: right; border: 1px solid black; padding: 0 5px;">38</span>	
SEC FILE NO.	
8-28114 <span style="float: right; border: 1px solid black; padding: 0 5px;">14</span>	
FIRM I.D. NO.	
012959 <span style="float: right; border: 1px solid black; padding: 0 5px;">15</span>	
FOR PERIOD BEGINNING (MM/DD/YY)	
07/01/03 <span style="float: right; border: 1px solid black; padding: 0 5px;">24</span>	
AND ENDING (MM/DD/YY)	
06/30/04 <span style="float: right; border: 1px solid black; padding: 0 5px;">25</span>	
(Area Code) — Telephone No.	
(916) 423-3033 <span style="float: right; border: 1px solid black; padding: 0 5px;">31</span>	
OFFICIAL USE	
<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <span style="float: right; border: 1px solid black; padding: 0 5px;">33</span>	
<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <span style="float: right; border: 1px solid black; padding: 0 5px;">35</span>	
<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <span style="float: right; border: 1px solid black; padding: 0 5px;">37</span>	
<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <span style="float: right; border: 1px solid black; padding: 0 5px;">39</span>	

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES ☐ 40 NO ☒ 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT ☒ 42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 26th day of AUGUST 20 04

Manual signatures of:

1) Patricia Harding Hall  
Principal Executive Officer or Managing Partner

2) Steve Shalashian  
Principal Financial Officer or Partner

3) Patricia Harding Hall  
Principal Operations Officer or Partner

**ATTENTION** — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

LOCKWOOD & BORN, AN ACCOUNTANCY CORPORATION

70

ADDRESS

2380 PROFESSIONAL DRIVE

71

ROSEVILLE

72

CALIFORNIA

73

95661-7745

74

Number and Street

City

State

Zip Code

CHECK ONE

☒ Certified Public Accountant

75

☐ Public Accountant

76

☐ Accountant not resident in United States  
or any of its possessions

77

FOR SEC USE

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DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

Independent Auditors' Report

Board of Directors  
Harding/Hall, Inc.

We have audited the accompanying statement of financial condition of Harding/Hall, Inc. as of June 30, 2004, and the related statements of income(loss), cash flows, changes in stockholders' equity, and changes in liabilities subordinated to claims of creditors for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harding/Hall, Inc. as of June 30, 2004, and the results of its operations, cash flows, changes in stockholders' equity and changes in liabilities subordinated to claims of creditors for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis, and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Roseville, California  
July 26, 2004

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

HARDING/HALL, INC.

**N 3**

100

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY)

06/30/04

99

SEC FILE NO. 8-28114

98

Consolidated

198

Unconsolidated

199

	Allowable	Non-Allowable	Total
1. Cash	\$ 27,650 200		\$ 27,650 750
2. Receivables from brokers or dealers:			
A. Clearance account	1,408 295		
B. Other	3,067 300	\$ 22,545 550	27,020 810
3. Receivable from non-customers	355	600	0 830
4. Securities and spot commodities owned at market value:			
A. Exempted securities	88,130 418		
B. Debt securities			
C. Options			
D. Other securities	168,227 424		
E. Spot commodities	430		256,357 850
5. Securities and/or other investments not readily marketable:			
A. At cost \$ 5,900	130		
B. At estimated fair value	440	3,150 610	3,150 860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:	460	630	0 880
A. Exempted securities \$	150		
B. Other securities \$	160		
7. Secured demand notes:	470	640	0 890
Market value of collateral:			
A. Exempted securities \$	170		
B. Other securities \$	180		
8. Memberships in exchanges:			
A. Owned, at market \$	190		
B. Owned, at cost		650	
C. Contributed for use of the company, at market value		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	490	715 680	715 920
11. Other assets	535	3,095 735	3,095 930
12. TOTAL ASSETS	\$ 288,482 540	\$ 29,505 740	\$ 317,987 940

OMIT PENNIES

NOTE: SEE THE ACCOMPANYING AUDIT OPINION AND NOTES TO THE FINANCIAL STATEMENTS.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

HARDING/HALL, INC.

as of 06/30/04

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable .....	\$ 1045	\$ 1255 <sup>13</sup>	\$ 0 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	0 1560
B. Other .....	1115 <sup>10</sup>	1305	0 1540
15. Payable to non-customers .....	1155	1355	0 1610
16. Securities sold not yet purchased, at market value .....		1360	0 1620
17. Accounts payable, accrued liabilities, expenses and other .....	17,263 1205	2,997 1385	20,260 1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		0 1690
B. Secured .....	1211 <sup>12</sup>	1390 <sup>14</sup>	0 1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders, \$ 970		1400	0 1710
2. includes equity subordination (15c3-1(d)) of ... \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	0 1720
C. Pursuant to secured demand note collateral agreements		1420	0 1730
1. from outsiders \$ 1000			
2. includes equity subordination (15c3-1(d)) of ... \$ 1010			
D. Exchange memberships contributed for use of company, at market value .....		1430	0 1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	0 1750
20. TOTAL LIABILITIES .....	\$ 17,263 1230	\$ 2,997 1450	\$ 20,260 1760
<u>Ownership Equity</u>			
21. Sole Proprietorship .....			15 \$ 1770
22. Partnership (limited partners) .....	11 (\$ 1020 )		1780
23. Corporation:			
A. Preferred stock .....			1791
B. Common stock .....		11,250	1792
C. Additional paid-in capital .....		18,663	1793
D. Retained earnings .....		267,814	1794
E. Total .....		297,727	1795
F. Less capital stock in treasury .....		16 ( )	1796
24. TOTAL OWNERSHIP EQUITY .....		\$ 297,727	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		\$ 317,987	1810

OMIT PENNIES

NOTE: SEE THE ACCOMPANYING AUDIT OPINION AND NOTES TO THE FINANCIAL STATEMENTS.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

HARDING/HALL, INC.

as of 06/30/04

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	297,727	3480
2. Deduct ownership equity not allowable for Net Capital .....	19	( )	3490
3. Total ownership equity qualified for Net Capital .....		297,727	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....		0	3520
B. Other (deductions) or allowable credits (List) .....		2,997	3525
5. Total capital and allowable subordinated liabilities .....	\$	300,724	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C) .....	17 \$	29,505	3540
B. Secured demand note delinquency .....			3590
C. Commodity futures contracts and spot commodities -			
proprietary capital charges .....			3600
D. Other deductions and/or charges .....			3610
7. Other additions and/or allowable credits (List) .....			
8. Net capital before haircuts on securities positions .....	20 \$	271,219	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments .....	\$		3660
B. Subordinated securities borrowings .....			3670
C. Trading and investment securities:			
1. Exempted securities .....	18	1,763	3735
2. Debt securities .....			3733
3. Options .....			3730
4. Other securities .....		25,234	3734
D. Undue Concentration .....			3650
E. Other (List) .....			3736
10. Net Capital .....	\$	244,222	3750

OMIT PENNIES

NOTE: SEE THE ACCOMPANYING AUDIT OPINION AND NOTES TO THE FINANCIAL STATEMENTS.



# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

HARDING/HALL, INC.

as of 06/30/04

### COMPUTATION OF NET CAPITAL REQUIREMENT

#### Part A

11. Minimum net capital required (6 2/3% of line 19)	\$	1,150	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	50,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	50,000	3760
14. Excess net capital (line 10 less 13)	\$	194,222	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	242,495	3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	17,263	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	0	3820
18. Total aggregate indebtedness	\$	17,263	3840
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10)	%	7.068	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	0	3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

#### Part B

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$		3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
23. Net capital requirement (greater of line 21 or 22)	\$		3760
24. Excess capital (line 10 less 23)	\$		3910
25. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000	\$		3920

#### NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6 2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

NOTE: SEE THE ACCOMPANYING AUDIT OPINION AND NOTES TO THE FINANCIAL STATEMENTS.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

HARDING/HALL, INC.

For the period (MMDDYY) from 07/01/03 3932 to 06/30/04 3933  
 Number of months included in this statement 12 3931

### STATEMENT OF INCOME (LOSS)

#### REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$ 9,257	3935	
b. Commissions on listed option transactions	25 3,834	3938	
c. All other securities commissions		3939	
d. Total securities commissions	13,091	3940	
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange		3945	
b. From all other trading		3949	
c. Total gain (loss)	0	3950	
3. Gains or losses on firm securities investment accounts	26,218	3952	
4. Profit (loss) from underwriting and selling groups	26	3955	
5. Revenue from sale of investment company shares	171,068	3970	
6. Commodities revenue		3990	
7. Fees for account supervision, investment advisory and administrative services		3975	
8. Other revenue	3,250	3995	
9. Total revenue	\$ 213,627	4030	

#### EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	47,400	4120	
11. Other employee compensation and benefits	26,154	4115	
12. Commissions paid to other broker-dealers		4140	
13. Interest expense		4075	
a. Includes interest on accounts subject to subordination agreements	4070		
14. Regulatory fees and expenses	3,363	4195	
15. Other expenses	106,359	4100	
16. Total expenses	\$ 183,276	4200	

#### NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$ 30,351	4210	
18. Provision for Federal income taxes (for parent only)	28 3,747	4220	
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above		4222	
a. After Federal income taxes of	4338		
20. Extraordinary gains (losses)		4224	
a. After Federal income taxes of	4239		
21. Cumulative effect of changes in accounting principles		4225	
22. Net income (loss) after Federal income taxes and extraordinary items	\$ 26,604	4230	

#### MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$ 2,342	4211	
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NOTE: SEE THE ACCOMPANYING AUDIT OPINION AND NOTES TO THE FINANCIAL STATEMENTS.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER      HARDING/HALL, INC.

For the period (MMDDYY) from 07/01/03 to 06/30/04

### STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period .....	\$	271,123	4240
A. Net income (loss) .....		26,604	4250
B. Additions (includes non-conforming capital of .....	\$	4262	4260
C. Deductions (includes non-conforming capital of .....	\$	4272	4270
2. Balance, end of period (From item 1800) .....	\$	297,727	4290

### STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period .....	\$	4300	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$	0	4330

OMIT PENNIES

NOTE: SEE THE ACCOMPANYING AUDIT OPINION AND NOTES TO THE FINANCIAL STATEMENTS.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **HARDING/HALL, INC.**

as of **06/30/04**

### EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 ..... 4550
- B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained ..... 4560
- C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.  
 Name of clearing firm<sup>30</sup> **8-11922; EMMETT A. LARKIN COMPANY, INC.; ALL** 4335 **X** 4570
- D. (k)(3) — Exempted by order of the Commission (include copy of letter) ..... 4580

**Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.**

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
31 4600	NONE	4601	4602	4603	4604 4605
32 4610		4611	4612	4613	4614 4615
33 4620		4621	4622	4623	4624 4625
34 4630		4631	4632	4633	4634 4635
35 4640		4641	4642	4643	4644 4645
			Total \$ <sup>36</sup> 0	4699	

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

NOTE: SEE THE ACCOMPANYING AUDIT OPINION AND NOTES TO THE FINANCIAL STATEMENTS.

EXHIBIT C

HARDING/HALL, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<u>Balances, July 1, 2003</u>	\$11,250	\$18,663	\$241,210	\$271,123
Net Income for period	<u>0</u>	<u>0</u>	<u>26,604</u>	<u>26,604</u>
 BALANCES, JUNE 30, 2004	 <u>\$11,250</u>	 <u>\$18,663</u>	 <u>\$267,814</u>	 <u>\$297,727</u>

See the accompanying Audit Opinion.  
The accompanying notes are an  
integral part of these financial statements.

EXHIBIT D

HARDING/HALL, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Exhibit B) \$ 26,604

Adjustments to reconcile net income to net cash  
provided by operating activities:

Depreciation	596
Provision for Deferred Income Taxes	2,997
Unrealized Gains on Firm Investments	( 24,842)
Increase in Commissions Receivable	( 11,201)
Increase in Prepaid Expenses	( 53)
Decrease in Tax Refunds Receivable	3,296
Increase in Accounts Payable	280
Increase in Commissions Payable	282
Increase in Accrued Liabilities	915

Total adjustments ( 27,730)

Net cash provided (used) by operating activities \$( 1,126)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Office Equipment ( 466)

Net cash provided (used) by investing activities \$( 466)

Net increase (decrease) in cash and equivalents \$( 1,592)

Cash and Cash Equivalents, July 1, 2003 117,372

Cash and Cash Equivalents, June 30, 2004 \$ 115,780

Supplemental disclosures of cash flow information

Cash paid during the period for:

Income Taxes \$ 2,050

See the accompanying Audit Opinion.  
The accompanying notes are an  
integral part of these financial statements.

SCHEDULE 1

HARDING/HALL, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
SECURITIES AND EXCHANGE COMMISSION  
JUNE 30, 2004

Total Stockholders' Equity (Exhibit A)		\$ 297,727
Add: Allowable Credits - Deferred Income Taxes		<u>2,997</u>
Total Capital and Allowable Liabilities		300,724
Less: Non-Allowable Assets:		
Office Equipment	\$ ( 715)	
Other Assets - Prepaid Expenses	( 3,095)	
Concessions Receivable over 30 days	( 22,545)	
Non-Marketable Securities	<u>( 3,150)</u>	
Total Non-Allowable Assets		<u>( 29,505)</u>
Net Capital before Haircuts on Securities		\$ 271,219
<u>Haircuts on Securities</u>		
Trading and Investment Securities:		
Exempted Securities	\$ ( 1,763)	
Other Securities	<u>( 25,234)</u>	
Total Haircuts		<u>( 26,997)</u>
AUDITED NET CAPITAL, JUNE 30, 2004		<u>\$ 244,222</u>
<u>AGGREGATE INDEBTEDNESS</u>		<u>\$ 17,263</u>
<u>MINIMUM NET CAPITAL REQUIREMENT</u>		<u>\$ 50,000</u>
<u>EXCESS NET CAPITAL AT 1000%</u>		<u>\$ 242,497</u>
PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL		.07068

There was no material difference in reported broker/dealer net capital to audited net capital at June 30, 2004.

See the accompanying Audit Opinion.  
The accompanying notes are an  
integral part of these financial statements.

**HARDING/HALL, INC.**

**Notes to Financial Statements  
JUNE 30, 2004**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business:**

Harding/Hall, Inc. was incorporated under the laws of the State of California on July 2, 1981. On November 1, 1982, the Company registered as an over-the-counter broker/dealer pursuant to Section 15(b) of the Securities Act of 1934.

**Accounting Methods:**

Harding/Hall, Inc. employs the accounting practices and policies required by the Securities and Exchange Commission for Brokers and Dealers in securities for this financial statement presentation. The accrual method is used for Federal and State income tax reporting purposes.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those assumptions.

Cash and cash equivalents used in reporting cash flows include cash on hand, cash in banks, and cash in short-term money market funds.

Marketable Securities are valued at market value and securities not readily marketable are valued at fair value as determined by the Board of Directors. The resulting difference between cost and market (or fair value) is included in income.

Deferred income taxes are provided when income and expenses, principally relating to the valuation of investment securities, are recognized in different years for financial and tax reporting purposes.

Depreciation is provided on a straight-line basis over an estimated useful life of seven years for financial statement presentation and state income tax reporting. For federal tax reporting, depreciation is computed using accelerated methods in accordance with current tax regulations.

The Company holds no customers' securities on account.

See the accompanying Audit Opinion.



HARDING/HALL, INC.

Notes to Financial Statements  
JUNE 30, 2004

NOTE 2: INVESTMENT IN MARKETABLE SECURITIES

Investments in securities are reported at market values as required by the Securities and Exchange Commission for Brokers and Dealers. Exempt securities of \$88,130 consist entirely of a short-term investment in Franklin Money Fund and are considered cash equivalents. Other securities held for investment and their respective values at June 30, 2004 are as follows:

Putnam Vista Fund	10,044 Shares	\$ 86,280
Putnam Voyager Fund	3,630 Shares	58,375
WPS Resources Corporation	360 Shares	16,686
Sempra Energy	200 Shares	6,886
Nasdaq Stock Market, Inc.	500 Shares	3,150
		-----
Total Fair Market Value		\$171,377
		=====

Unrealized gains on marketable securities total \$12,835 at June 30, 2004. Unrealized gains of \$24,842 have been included in current year income as gains on firm investments.

NOTE 3: INCOME TAX EXPENSE

Income tax for the year ended June 30, 2004 is composed of the following:

Federal Income Tax	\$ 750
California Franchise Tax	800
Deferred Income Tax	2,997
	-----
Total Income Tax Expense	\$ 4,547
	=====

See the accompanying Audit Opinion.

HARDING/HALL, INC.

Notes to Financial Statements  
JUNE 30, 2004

NOTE 3: INCOME TAX EXPENSE (continued)

Deferred Income Taxes at June 30, 2004, resulting from timing differences in the reporting of unrealized gains from firm investments and accelerated depreciation methods, are as follows:

Deferred Federal Income Taxes	\$ 1,862
Deferred California Franchise Taxes	1,135
	-----
Total Deferred Taxes	\$ 2,997
	=====

NOTE 4: RELATED PARTY TRANSACTIONS

The Company rents office space on a month-to-month basis from a partnership in which Patricia Harding Hall, an officer and shareholder of the Company, is a partner. The statement of income includes \$24,000 of rent expense paid to this partnership during the year.

INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL STRUCTURE

Board of Directors  
Harding/Hall, Inc.

In planning and performing our audit of the financial statements of Harding/Hall, Inc. (the Company) for the year ended June 30, 2004, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g) (1) of the Securities and Exchange Commission (the Commission), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a) (11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer accounts, we did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and the related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2004 to meet the Commission's objectives, and that the Company was in compliance with the exemptive provisions of rule 15c3-3 during the year then ended.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.



Roseville, California  
July 26, 2004